



DRAFT MINUTES

LAFCO REGULAR MEETING

Wednesday, June 20, 2007, 9:00 a.m.

Planning Commission Hearing Room, Hall of Administration

10 Civic Center Plaza

Santa Ana, CA

(Any member of the public may request to speak on any agenda item at the time that item is being considered by the Commission.)

1. CALL TO ORDER

Chair Bill Campbell called the regular meeting of the Local Agency Formation Commission (LAFCO) to order at 9:00 a.m.

2. PLEDGE OF ALLEGIANCE

Commissioner Arlene Schafer led the pledge of allegiance.

3. ROLL CALL

The following commissioners and alternates were present at roll call:

- **Commissioner Bill Campbell**
- **Commissioner Bob Bouer**
- **Commissioner Peter Herzog**
- **Commissioner John Moorlach**
- **Commissioner Arlene Schafer**
- **Commissioner Susan Wilson**
- **Commissioner John Withers**
- **Alternate Commissioner Rhonda McCune**
- **Alternate Commissioner Pat Bates**
- **Alternate Commissioner Patsy Marshall**

The following commissioners were absent at roll call:

- **Alternate Commissioner Charley Wilson**

The following LAFCO staff members were present:

- **Legal Counsel Scott Smith**
- **Executive Officer Joyce Crosthwaite**
- **Assistant Executive Officer Bob Aldrich**
- **Senior Project Manager Carolyn Emery**

- Intern Christian Pape
- Intern Ben Legbandt
- Administrative Support Marion Jasieniecki

4. APPROVAL OF MINUTES

May 9, 2007 – Regular Commission Meeting Minutes

Chair Campbell called for any changes and approval of the May 9th meeting minutes.

MOTION: Approve May 9, 2007 meeting minutes (Arlene Schafer)
SECOND: Susan Wilson
FOR: Bill Campbell, Bob Bouer, Peter Herzog, John Moorlach, Arlene Schafer, Susan Wilson, John Withers
AGAINST: None
ABSTAIN: None
MOTION PASSED

5. PUBLIC COMMENT

Chair Campbell requested public comments on any non-agenda item. Receiving no comments, he then closed the public comment agenda item.

6. CONSENT CALENDAR

a.) Quarterly Legislative Report

Commissioner Moorlach stated to his preference for staff to watch AB 1597.

MOTION: Approve consent calendar (John Moorlach)
SECOND: Susan Wilson
FOR: Bill Campbell, Bob Bouer, Peter Herzog, John Moorlach, Arlene Schafer, Susan Wilson, John Withers
AGAINST: None
ABSTAIN: None
MOTION PASSED

7. CONTINUED PUBLIC HEARING

Item 7a. Municipal Service Review and Sphere of Influence for Municipal Water District of Orange County (MWDOC) (MSR 06-30 and SOI 07-04)

Chair Campbell opened this item by noting that six agencies have requested that LAFCO convene a series of facilitated discussions on issues raised during the MWDOC MSR process. He indicated that since some of the issues addressed in the MWDOC MSR remain unresolved, he believed that the facilitated discussion might be helpful. He stated that he

would support, if approved by the Commission, continuing the MSR and SOI actions and adding an addendum to the MSR report upon completion of the facilitated discussions. He added that he would request that the MSR and SOI be continued for 90 days.

Executive Officer Joyce Crosthwaite presented the staff report. She described the MSR requirements and process and thanked everyone for their past and current efforts to the process. She noted that the primary issues for the district are governance and finance, in particular the growth of the MWDOC budget and their current reserve levels. She added that staff's recommendations are to either initiate a facilitated discussion or to receive and file the MSR report and adopt MWDOC's sphere.

Commissioner S. Wilson agreed that there is a void in good leadership and asked for a summary of the type of leadership needed in this process. The Executive Officer stated that the type of leadership needed is a person that can step back and understand the point of view of a majority of the member agencies and bring everyone together to see if a resolution can be reached. **Commissioner S. Wilson** added that the primary focus should be on the rate payers.

Commissioner Moorlach asked if the two LAFCO Commissioners representing water agencies had a conflict of interest. Legal Counsel Scott Smith noted that the Cortese-Knox-Hertzberg Act allows members of an affected agency that are seated on LAFCO to act on proposals which might affect their agency. **Commissioner Moorlach** noted that LAFCO had met with six of MWDOC's 29 member agencies and asked if LAFCO met with the remaining MWDOC member agencies. The Executive Officer responded that LAFCO staff had offered to meet with all member agencies and a majority of MWDOC's member agencies were present during LAFCO's stakeholder process. **Commissioner Moorlach** also asked if the three cities (Santa Ana, Anaheim and Fullerton) were included in discussions. **Commissioner Moorlach** further inquired into a potential merger between MWDOC and Orange County Water District (OCWD). The Executive Officer informed the Commissioner this was one option that was looked at, but would require legislative action. **Commissioner Moorlach** asked if the MSRs for Anaheim, Fullerton, and Santa Ana had been completed. The Executive Officer replied that the MSRs had been completed and staff would be willing to provide copies. Senior Project Manager Carolyn Emery noted however that Fullerton's MSR is currently in progress. **Commissioner Moorlach** indicated the need for additional graphs to depict reserve amounts or budget percentages from all member agencies in order to compare these to MWDOC's. He also stated a need for seeing how many customers they serve, by volume of water sold and revenues. He further requested information on the Coastal Water District consolidation with MWDOC and why some of these issues were not raised at that time. The Executive Officer stated that these concerns were raised at that time. She added that one of the primary goals of the Coastal Water District consolidation was to cut costs.

Commissioner McCune asked for clarification of the Chair's earlier comment regarding the option of continuing with a facilitated discussion and setting of deadlines.

Chair Campbell stated that the Commission should hear from the public but supports continuing the MSR until the conclusion of the facilitated discussions.

Chair Campbell opened the public hearing.

Susan Hinman, president of MWDOC Board of Directors stated that MWDOC is a regional, water wholesale, resource and planning agency representing 2.3 million Orange County residents through 29 agencies. She stated one of their strengths is to bring together water agencies with divergent interests in the whole region. She noted that all MWDOC's member agencies have a voice at MWDOC.

Kevin Hunt, General Manager of MWDOC, stated that Orange County has 16% of the vote with the Metropolitan Water District (MET). He indicated that MWDOC also provides countywide water resource planning, water efficiency programs, disaster planning, lobbying and obtains grants from sources. He further noted that MWDOC does not own or operate facilities and that MWDOC avoids service duplication, has economics of scale and performs benchmarking against other agencies. Mr. Hunt stated MWDOC works collaboratively in coordinating monthly meetings with multiple agencies. Mr. Hunt further stated that he looks forward to discussions with the six member agencies and will keep the other agencies apprised of these meetings. Mr. Hunt requested that the Commission receive and file the MSR report. However, he stated that any additional time and review would benefit MWDOC.

Commissioner S. Wilson wanted an elaboration on MWDOC's federal lobbying efforts. Mr. Hunt stated that federal lobbyists benefit the entire County and noted specific instances where their lobbyists were successful.

Howard Johnson, Utility Manager for the City of Huntington Beach, offered support for MWDOC and their staff. He respectfully requested that the Commission receive and file the MSR report, but added that the City is willing to accept any additional discussion.

Diana Leach, a consultant representing Golden State Water Company, stated that the company is satisfied with MWDOC and in particular their representation at MET. She urged the Commission to receive and file the report, but added that Golden State would be happy to contribute to further discussions on the issue.

Michael Payne, General Manager of the Yorba Linda Water District, stated he is pleased with the services MWDOC provides. He further informed the Commission that the water conservation service provided by MWDOC is of great benefit to the district. He stated MWDOC was very helpful in the recent water shut down and believes that the December 20th MWDOC Board meeting was very positive.

John Schatz, General Manager of Rancho Santa Margarita Water District stated that he was representing six water agencies, (IRWD, Trabuco CWD, El Toro WD, Santa Margarita WD

and South Coast WD). He asked that the process be continued for 90 days. He stated that the six agencies represent 45% of the revenue received by MWDOC.

Peer Swan, Director of the Irvine Ranch Water District, stated that this is the third time a situation with MWDOC has arisen. He stated there is a dichotomy in that the northern cities receive their water primarily from the groundwater, while the southern cities receive their water from MWDOC. The North County can either go to MWDOC or use cheaper groundwater; while the South County is dependent on MWDOC's source. In addition, he noted the difference in staff levels between North and South agencies and their different approaches to lobbying, services and dependencies.

Paul Shoenberger, Board President of Mesa Consolidated Water District stated that Mesa benefits from multiple programs that MWDOC provides including water conservation, grant money and lobbying at MET. He also stated MWDOC's efficiency at MET is well regarded

Chair Campbell closed the public hearing

Commissioner Schafer agreed with the Chair's position. She added that while MWDOC seems to be doing a good job any issues raised must be addressed.

Commissioner Bouer stated that he has great confidence in LAFCO staff and that all the agencies involved should be given an opportunity to come to an intelligent conclusion.

Commissioner S. Wilson wanted to thank the staff and the personal interaction with members of MWDOC. She raised a question in regards to MWDOC's reserves. Kevin Hunt replied and explained the different reserves levels and refunds.

MOTION: **Continue the Municipal Service Review and Sphere of Influence for
Municipal Water District of Orange County (Bob Bouer)**
SECOND: **Arlene Schafer**
FOR: **Bill Campbell, Bob Bouer, Peter Herzog, John Moorlach,
Arlene Schafer, Susan Wilson, John Withers**
AGAINST: **None**
ABSTAIN: **None**
MOTION PASSED

Commissioner Withers asked if it would be appropriate or possible to have a sub-committee of the Commission participate in the facilitated discussions.

The Executive Officer believed that the discussion amongst the agencies would be best served if it was only the six South County agencies and their representatives.

Commissioner Schafer asked if it would be possible for an agency not part of the six agencies to be included in these discussions.

The Executive Officer stated that it is proposed to include two representatives from six of the South County agencies and five members from MWDOC. She added that specific selections will then be up to the agencies. She added that there would be no observers so that discussions may be frank and open and that possible solutions must be vetted through the member agencies and the MWDOC board.

8. PUBLIC HEARING

Item 8a. – Municipal Service Review and Sphere of Influence for Mesa Consolidated Water District (MSR 06-46 & SOI 06-47)

Executive Officer Joyce Crosthwaite summarized the findings of the Municipal Service Review and Sphere of Influence Review for the Mesa Consolidated Water District. She stated that the agency will have moderate growth and there are no infrastructure issues. She added that the agency has adequate revenues but may want to consider a tiered rate structure. She added that Mesa had sent a letter, which was included in the report, noting some corrections. The Executive Officer recommended that the Commission receive and file the MSR and re-affirm Mesa's current SOI.

Chair Campbell opened the public hearing.

Victoria Beatley, Financial Services Manager, stated that Mesa and LAFCO worked cooperatively on the report. She noted corrections to the MSR and staff reports.

Chair Campbell closed the public hearing.

Commissioner S. Wilson asked for clarification of the projection on water demands that will increase ten percent with a fourteen percent increase in population. Victoria Beatley responded that even though the population is projected to increase in comparison to demand, with the growth of the high density housing coming into Costa Mesa there is going to be less water meters needed and that any additional demand could be met.

Commissioner Moorlach stated that he is pleased to have the district serving the area.

MOTION: Approve staff recommendations as presented for the MSR and SOI for Mesa Consolidated Water District Arlene Schafer
SECOND: John Moorlach
FOR: Bill Campbell, Bob Bouer, Peter Herzog, John Moorlach, Arlene Schafer, Susan Wilson, John Withers
AGAINST: None
ABSTAIN: None
MOTION PASSED

Item 8b. – Municipal Service Review and Sphere of Influence for Costa Mesa Sanitary District (MSR 06-44 & SOI 06-45)

Executive Office Joyce Crosthwaite summarized the findings from the Municipal Service Review and Sphere of Influence Review for the Costa Mesa Sanitary District. She stated that there are some infrastructure issues and increased requirements that may impact the District's financial resources. The agency is addressing issues related to planning and the increased requirements. The Executive Officer stated that the sphere of influence is being recommended for expansion so that the service area and sphere boundary are coterminous.

Chairman Campbell opened the public hearing.

Rob Hamers, the General Manager and Engineer of Costa Mesa Sanitary District, thanked the Commission and LAFCO staff for working with the District on the MSR process and report.

Chairman Campbell closed the public hearing.

MOTION: Approve staff recommendations as presented for the MSR and SOI for Costa Mesa Sanitary District (John Moorlach)
SECOND: Susan Wilson
FOR: Bill Campbell, Bob Bouer, Peter Herzog, John Moorlach, Arlene Schafer, Susan Wilson, John Withers
AGAINST: None
ABSTAIN: None
MOTION PASSED

9. COMMISSION DISCUSSION AND ACTION

Item 9a. – West Santa Ana Heights and Banning Ranch Update

Executive Officer Crosthwaite stated there were two speakers for this item; Mel Hernandez and Robert Hanley, but both had left the meeting.

Commissioner Moorlach stated that he has continued dialogue with the Cities of Newport Beach and Costa Mesa regarding boundary issues. The Commissioner stated that he has also met with the residents of Santa Ana Heights and George Basye of Aera Energy.

Item 9b. – CALAFCO Award Nominations

Commissioner S. Wilson thanked everyone for her nomination. Additionally, Commissioner Wilson expressed her admiration for Commissioner Bouer's life accomplishments as indicated in his nomination.

Executive Officer Crosthwaite stated that any corrections on this item should be given to Intern Christian Pape.

Item 9c. – CALAFCO Election

Executive Officer Crosthwaite recommended that Commissioner Peter Herzog be renominated for the open position on the CALAFCO Executive Board. She also stated that for the August CALAFCO Conference there needs to be a voting delegate and an alternative voting delegate appointed. She added that staff is recommending that these positions be assigned to the Commission's Chair and Vice Chair.

Chair Campbell stated he would need to check his schedule before accepting.

MOTION: Approve staff recommendations for Commissioner Herzog's nomination to CALAFCO Executive Board and for designating the voting and alternative delegates to be the Chair and Vice Chair (Arlene Schafer)
SECOND: Bob Bouer
FOR: Bill Campbell, Bob Bouer, Peter Herzog, John Moorlach, Arlene Schafer, Susan Wilson, John Withers
AGAINST: None
ABSTAIN: None
MOTION PASSED

10. Commissioner Comments

Commissioner Moorlach had asked if LAFCO staff had received the letter from Supervisor Don Knabe of the Los Angeles Board of Supervisors regarding potential boundary adjustments. Staff responded that they had not received the letter.

Commissioner Schafer stated that El Toro Water District is being recognized for its distinction this coming fall.

11. Information Items & Announcements
None

13. Closed Session
None

The meeting adjourned at **10:20 am.**

BILL CAMPBELL
Chair
Orange County Local Agency Formation Commission

By: _____
Christian Pape
Student Intern